

Message Text

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15

ACTION EB-07

INFO OCT-01 AF-06 EUR-12 ISO-00 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 H-02 /091 W

----- 128631

R 110939Z JUN 75

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 2034

INFO AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMCONSUL JOHANNESBURG

AMEMBASSY LONDON

AMEMBASSY PARIS

AMCONSUL ZURICH

AMEMBASSY BERN

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PARIS FOR OECD

CAPE TOWN ALSO FOR EMBASSY

E.O. 11652: N/A

TAGS: EFIN, SF

SUBJ: RAND/DOLLAR EXCHANGE RATE

1. IN CONVERSATION WITH EMBOFF JUNE 10, RESERVE BANK DEPUTY GOVERNOR DE KOCK SAID THAT WEAKNESS OF STERLING IS BRINGING PRESSURE ON THE RAND. MARKET EXPECTS DEVALUATION OF STERLING AND SUBSEQUENT SMALLER DEVALUATION OF THE RAND AND TRADERS CONSEQUENTLY TAKING POSITIONS AGAINST THE RAND.

2. DE KOCK EXPRESSED DISSATISFACTION WITH SYSTEM OF "INDEPENDENT MANAGED FLOATING" OPERATED BY THE BANK FOR THE LAST YEAR. BANK QUOTES FIXED "MIDDLE RATE" (CURRENTLY \$1.47), WHICH IT ADJUSTS

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PERIODICALLY TO KEEP TRADE WEIGHTED VALUE OF RAND APPROXIMATELY

STABLE. MARKET HAS LEARNED THE SYSTEM AND NOW REGULARLY TAKES POSITION BASED ON NEAR CERTAIN KNOWLEDGE OF DIRECTION OF NEXT MOVE IN THE RATE. DE KOCK STRONGLY IMPLIED BANK MAY DROP SYSTEM IN FAVOR OF FIXED DOLLAR/RAND RATE THAT WOULD BE ADJUSTED ACCORDING TO BANK'S VIEW OF LONG TERM TRENDS WITHOUT REGARD TO SHORT TERM MOVEMENTS IN THE TRADE WEIGHTED VALUE OF THE RAND, THUS REMOVING THE ONE WAY OPTION NOW ENJOYED BY SPECULATORS.

BOWDLER

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Message Attributes

Automatic Decaptioning: X
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Concepts: DOLLAR, CURRENCY STABILITY, FOREIGN EXCHANGE RATES
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Draft Date: 11 JUN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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Margaret P. Grafeld
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06 JUL 2006

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